



Café Profitability Metrics Glossary (Australia)

Plain-English definitions for café owners

Use this as a quick reference for the key terms used in profitability and performance discussions. No finance background required.

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1) Transactions

Meaning: The number of sales/receipts processed. One customer order = one transaction.

Why it matters: It's the simplest indicator of demand. Transactions often drop before customers complain.

Example: 210 transactions today = 210 separate orders paid for.

2) Daypart (transactions per daypart)

Meaning: Breaking a day into time blocks to see *when* transactions happen.

Common café dayparts: - Open–10am (morning rush) - 10am–12pm (late morning) - 12–2pm (lunch) - 2pm–close (afternoon)

Why it matters: A strong morning can hide a weak lunch. Dayparts show where the leak is.

3) Average Order Value (AOV)

Meaning: Average spend per transaction.

$$AOV = \frac{\text{Total sales}}{\text{Number of transactions}}$$

Why it matters: If transactions soften, lifting AOV can protect revenue without discounting.

Example: \$3,150 sales / 210 transactions = \$15 AOV.

4) Attach rate (coffee-to-food attach rate)

Meaning: How often do customers add a second category item.

Example formula (coffee-to-food):

$$\text{Attach rate} = \frac{\text{Transactions that include food}}{\text{Total coffee transactions}}$$

Why it matters: Improving attach rate is often easier than finding new customers.

Example: 60 of 200 coffee transactions included food = 30% attach rate.

5) Customer frequency

Meaning: How often customers return (daily/weekly/monthly).

Why it matters: Frequency is the engine of café profitability. Small drops in repeat visits can quickly damage weekly revenue.

Simple proxy if you don't track customers: Compare transactions by daypart week-to-week and look for consistent declines.

6) Return rate

Meaning: The percentage of customers who come back within a set period (e.g., 30 days).

Why it matters: It's a direct signal of loyalty and consistency.

How cafés estimate it: Loyalty scans, customer accounts, repeat card usage, or POS customer profiles.

7) COGS (Cost of Goods Sold)

Meaning: The direct cost to produce what you sell.

Typical café COGS includes: - Coffee beans, milk, syrups - Food ingredients - Cups/lids/napkins/packaging

Usually not included in COGS: rent, wages, utilities (these are operating expenses).

8) Gross profit (GP)

Meaning: Sales minus COGS.

$$\text{Gross profit} = \text{Sales} - \text{COGS}$$

Example: \$10,000 sales – \$3,500 COGS = \$6,500 gross profit.

9) Gross margin (gross profit margin)

Meaning: Gross profit expressed as a percentage of sales.

$$\text{Gross margin \%} = \frac{\text{Gross profit}}{\text{Sales}} \times 100$$

Why it matters: A café can be busy and still lose money if gross margin is too low.

10) Labour cost percentage

Meaning: Labour cost as a percentage of sales.

$$\text{Labour \%} = \frac{\text{Total labour cost}}{\text{Sales}} \times 100$$

What to include (common approach): wages + superannuation + leave + payroll tax (if applicable). Some businesses also include workers comp depending on how they track.

Why it matters: In Australia, hospitality wage pressure can push labour % up quickly. If prices and productivity don't move with it, profit shrinks.

11) Wage pressure

Meaning: Upward pressure on wages due to award rates, penalty rates, competition for staff, and general cost increases.

Why it matters: Even small increases can materially change profitability in a labour-heavy business.

12) Menu mix

Meaning: The proportion of sales coming from different items.

Why it matters: Two cafés can have the same revenue but different profit depending on what customers buy.

13) Menu engineering

Meaning: Designing the menu to improve profitability and speed.

In practice: - Promote high-margin, high-volume items - Remove slow sellers - Simplify prep steps to reduce labour

14) Roster to demand

Meaning: Scheduling staff based on real sales patterns (not guesses).

How to do it: Use last month's hourly sales/transactions to set staffing levels for each daypart.

15) Standards (service and product standards)

Meaning: The repeatable way drinks and food are made and served.

Why it matters: Standards reduce waste, reduce remake time, and improve customer trust.

16) Discounting vs value

Discounting: Reducing price to drive volume.

Value: Improving the experience so customers happily pay full price.

Why it matters: Discounting can lower AOV and train customers to wait for deals.

17) Waste

Meaning: Product you pay for but can't sell (expired food, spilt milk, remade coffees).

Why it matters: Waste quietly destroys coffee shop margins.

18) The discipline loop (review → decide → train → measure)

Meaning: A simple weekly operating rhythm:

1. **Review:** sales, gross margin, labour %, waste, feedback
2. **Decide:** one change to improve margin or experience
3. **Train:** 10 minutes with the team on that one change
4. **Measure:** check results next week

Why it works: Small, consistent improvements compound.
